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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 1989  
Estimated average burden  
hours per response . . . 12.00

SEC FILE NUMBER

8-00719

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2005 AND ENDING DECEMBER 31, 2005  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

NATEXIS BLEICHROEDER INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1345 AVENUE OF THE AMERICAS

FIRM ID. NO.

(No. and Street)

NEW YORK

NEW YORK

10105-4300

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

HOWARD GREEN

212-698-3322

(Area Code — Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

JOEL E. SAMMET &amp; CO., LLP

(Name — if individual, state last, first, middle name)

60 BROAD STREET

NEW YORK

NEW YORK

10004

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 11 2006

THOMSON  
FINANCIAL

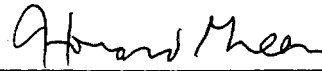
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, Howard Green, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NATEXIS BLEICHROEDER INC., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

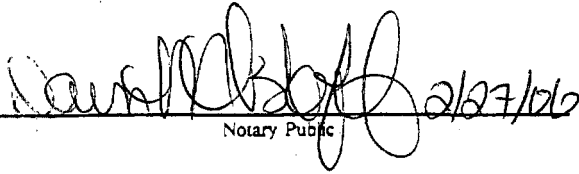
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Signature

Executive Vice President - CFO

Title

 2/27/06  
Notary Public

DAWN M. TISHKOFF  
Notary Public, State of New York  
Registration #01TI6138200  
Qualified In New York County  
Commission Expires Feb. 12, 2009

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



JOEL E. SAMMET, CPA (1925-1968)  
DAVID R. SAFER, CPA  
BERNARD TURNER, CPA  
JEROME S. GRUBIN, CPA  
FRANKLIN M. JACOBSON, CPA  
STEVEN A. SOKOL, CPA

**The Board of Directors  
Natexis Bleichroeder Inc.**

In planning and performing our audit of the financial statements of Natexis Bleichroeder Inc., for the period January 1, 2005 to December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles.

Continued

Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate for the period January 1, 2005 to December 31, 2005, to meet the SEC's objectives.

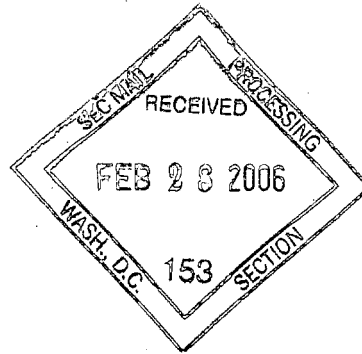
#### RECOMMENDATIONS

NONE

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Jeil E. Sammet Co., LLP*

New York, New York  
February 10, 2006



**NATEXIS BLEICHROEDER INC.**

**FOCUS REPORT - FORM X-17A-5**

**PART I**

**DECEMBER 31, 2005**

FOCUS

**JOEL E. SAMMET & CO., LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

# FORM X-17A-5

## FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

### PART II

11

10/85

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s):

1) Rule 17a-5(a)

☒ 16

2) Rule 17a-5(b)

☐ 17

3) Rule 17a-11

☐ 18

4) Special request by designated examining authority

☐ 19

5) Other

☐ 26

NAME OF BROKER-DEALER

NATEXIS BLEICHROEDER INC.

SEC FILE NO.

8-00719

14

FIRM ID. NO.

134197937

15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

1345 AVENUE OF THE AMERICAS

20

(No. and Street)

NEW YORK

21

NEW YORK

22

10105-4300

23

(City)

(State)

(Zip Code)

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/05

24

AND ENDING (MM/DD/YY)

12/31/05

25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

HOWARD GREEN

30

(Area Code)—Telephone No.

212-698-3322

31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS?

YES ☒ 40

NO

41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

☒ 42

#### EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 16th day of February 2006

Manual signatures of:

1) Principal Executive Officer or Managing Partner

2) Principal Financial Officer or Partner

3) Principal Operations Officer or Partner

**ATTENTION**—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

JOEL E. SAMMET & CO., LLP

70

ADDRESS Number and Street City State Zip Code

60 BROAD STREET

NEW YORK

NEW YORK

10004

71

72

73

74

Check One

( ☒ ) Certified Public Accountant

75

FOR SEC USE

( ) Public Accountant

76

( ) Accountant not resident in United States or  
any of its possessions

77

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|               |                         |               |      |  |  |  |  |
|---------------|-------------------------|---------------|------|--|--|--|--|
| WORK LOCATION | REPORT DATE<br>MM/DD/YY | DOC. SEQ. NO. | CARD |  |  |  |  |
| 50            | 51                      | 52            | 53   |  |  |  |  |



JOEL E. SAMMET, CPA (1925-1968)  
DAVID R. SAFER, CPA  
BERNARD TURNER, CPA  
JEROME S. GRUBIN, CPA  
FRANKLIN M. JACOBSON, CPA  
STEVEN A. SOKOL, CPA

## INDEPENDENT AUDITOR'S REPORT

**The Board of Directors  
Natexis Bleichroeder Inc.**

We have audited the accompanying financial condition of Natexis Bleichroeder Inc., for the period January 1, 2005 to December 31, 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natexis Bleichroeder Inc. for the period January 1, 2005 to December 31, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Joel E. Sammet & Co., LLP*

**New York, New York  
February 10, 2006**

FOCUS



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

**BROKER OR DEALER**  
**NATEXIS BLEICHROEDER INC.**

**N 2**

100

### STATEMENT OF FINANCIAL CONDITION

As of (MM/DD/YY) **12/31/05**

99

SEC FILE NO. **8-00719**

98

Consolidated

198

Unconsolidated ☒

199

### ASSETS

|  | Allowable     | Nonallowable | Total         |
|--|---------------|--------------|---------------|
| 1. Cash  | \$ 10,679,999 |              | \$ 10,679,999 |
|  | 200           |              | 750           |
| 2. Cash segregated in compliance with federal and other regulations  | 210           |              | 760           |
| 3. Receivable from brokers or dealers and clearing organizations:    |               |              |               |
| A. Failed to deliver:  |               |              |               |
| 1. Includable in "Formula for Reserve Requirements"                  | 1,446,254     | 220          |               |
| 2. Other   | 10,898,874    | 230          | 12,345,128    |
| B. Securities borrowed:  |               |              | 770           |
| 1. Includable in "Formula for Reserve Requirements"                  | 125,645,293   | 240          |               |
| 2. Other   | 616,761,227   | 250          | 742,406,520   |
| C. Omnibus accounts:   |               |              | 780           |
| 1. Includable in "Formula for Reserve Requirements"                  | 260           |              |               |
| 2. Other   | 270           |              | 790           |
| D. Clearing organizations:   |               |              |               |
| 1. Includable in "Formula for Reserve Requirements"                  | 13,445        | 280          |               |
| 2. Other   | 5,466,325     | 290          | 5,479,770     |
| E. Other   | 7,021,628     | 300          | 7,021,628     |
| 4. Receivables from customers:                                       |               | 550          | 810           |
| A. Securities accounts:  |               |              |               |
| 1. Cash and fully secured accounts                                   | 37,569,913    | 310          |               |
| 2. Partly secured accounts   | 320           | 560          |               |
| 3. Unsecured accounts  | 330           | 570          |               |
| B. Commodity accounts  | 330           | 580          |               |
| C. Allowance for doubtful accounts                                   | ( ) 335       | 590          | 38,330,155    |
| 5. Receivables from non-customers:                                   |               |              | 820           |
| A. Cash and fully secured accounts                                   | 340           |              |               |
| B. Partly secured and unsecured accounts                             | 350           | 600          | 830           |
| 6. Securities purchased under agreements to resell                   | 5,014,262,500 | 360          | 5,014,262,500 |
|  | 360           | 605          | 840           |
| 7. Securities and spot commodities owned, at market value:           |               |              |               |
| A. Bankers acceptances, certificates of deposit and commercial paper | 5,064,240     | 370          |               |
| B. U.S. and Canadian government obligations                          | 380           |              |               |
| C. State and municipal government obligations                        | 390           |              |               |
| D. Corporate obligations   | 400           |              |               |

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

**BROKER OR DEALER**  
**NATEXIS BLEICHROEDER INC.**

as of 12/31/05

### STATEMENT OF FINANCIAL CONDITION

|  |      | <u>ASSETS</u>    |                     |              |                   |
|--|------|------------------|---------------------|--------------|-------------------|
|  |      | <u>Allowable</u> | <u>Nonallowable</u> | <u>Total</u> |                   |
| E. Stocks and warrants                             | ▼ \$ | 20,635,923       | 410                 |              |                   |
| F. Options   |      |                  | 420                 |              |                   |
| G. Arbitrage                                       |      | 9,331,382        | 422                 |              |                   |
| H. Other securities                                |      |                  | 424                 |              |                   |
| I. Spot commodities                                |      |                  | 430                 |              |                   |
|  |      |                  |                     | \$           | 35,031,545 850    |
| 8. Securities owned not readily marketable:        |      |                  |                     |              |                   |
| A. At Cost   | ▼ \$ | 17,106,637       | 130                 |              |                   |
| B. At estimated fair value                         |      |                  | 440                 | \$           | 17,672,328 610    |
|  |      |                  |                     |              | 17,672,328 860    |
| 9. Other investments not readily marketable:       |      |                  |                     |              |                   |
| A. At Cost   | \$   |                  | 140                 |              |                   |
| B. At estimated fair value                         |      |                  | 450                 |              | 620               |
|  |      |                  |                     |              | 870               |
| 10. Securities borrowed under subordination agree- |      |                  |                     |              |                   |
| ments and partners' individual and capital         |      |                  |                     |              |                   |
| securities accounts, at market value:              |      |                  |                     |              |                   |
| A. Exempted  |      |                  |                     |              |                   |
| securities   | \$   | 150              |                     |              |                   |
| B. Other   | \$   | 160              | 460                 | 630          | 880               |
| 11. Secured demand notes-                          |      |                  |                     |              |                   |
| market value of collateral:                        |      |                  |                     |              |                   |
| A. Exempted  |      |                  |                     |              |                   |
| securities   | \$   | 170              |                     |              |                   |
| B. Other   | \$   | 180              | 470                 | 640          | 890               |
| 12. Memberships in exchanges:                      |      |                  |                     |              |                   |
| A. Owned, at market                                |      |                  |                     |              |                   |
| value  | \$   | 3,550,000        | 190                 |              |                   |
| B. Owned at cost                                   |      |                  |                     | 95,000       | 650               |
| C. Contributed for use of company,                 |      |                  |                     |              |                   |
| at market value                                    |      |                  | 12                  | 660          | 95,000 900        |
| 13. Investment in and receivables from             |      |                  |                     |              |                   |
| affiliates, subsidiaries and                       |      |                  |                     |              |                   |
| associated partnerships                            |      |                  | 480                 | 2,195,163    | 670               |
|  |      |                  |                     |              | 2,195,163 910     |
| 14. Property, furniture, equipment, leasehold      |      |                  |                     |              |                   |
| improvements and rights under                      |      |                  |                     |              |                   |
| lease agreements:                                  |      |                  |                     |              |                   |
| At cost (net of accumulated                        |      |                  |                     |              |                   |
| depreciation and amortization)                     |      |                  | 490                 | 4,070,003    | 680               |
|  |      |                  |                     |              | 4,070,003 920     |
| 15. Other Assets:                                  |      |                  |                     |              |                   |
| A. Dividends and interest receivable               |      | 1,904,577        | 500                 | 864          | 690               |
| B. Free shipments                                  |      |                  | 510                 | 112,432      | 700               |
| C. Loans and advances                              |      |                  | 520                 | 7,340        | 710               |
| D. Miscellaneous                                   | ▼    | 4,767,422        | 530                 | 24,700,017   | 720               |
|  |      |                  |                     |              | 31,492,652 930    |
| 16. TOTAL ASSETS                                   | \$   | 5,871,469,002    | 540                 | \$           | 49,613,389 740    |
|  |      |                  |                     | \$           | 5,921,082,391 940 |

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

**BROKER OR DEALER**  
**NATEXIS BLEICHROEDER INC.**

as of 12/31/05

### STATEMENT OF FINANCIAL CONDITION

#### LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u>   | <u>A.I.</u><br><u>Liabilities *</u> | <u>Non-A.I.</u><br><u>Liabilities *</u> | <u>Total</u>       |
|--|-------------------------------------|---|--------------------|
| 17. Bank loans payable:  |                                     |   |                    |
| A. Includable in "Formula for Reserve Requirements" .....                            | \$ 1030                             | \$ 1240                                 | \$ 11,219,473 1460 |
| B. Other .....   | 1040                                | 1250                                    | 29,023,900 1470    |
| 18. Securities sold under repurchase agreements ..                                   |                                     | 1260                                    | 4,969,450,000 1480 |
| 19. Payable to brokers or dealers and clearing organizations:                        |                                     |   |                    |
| A. Failed to receive:  |                                     |   |                    |
| 1. Includable in "Formula for Reserve Requirements" .....                            | 1050                                | 1270                                    | 959,415 1490       |
| 2. Other .....   | 1060                                | 1280                                    | 8,780,922 1500     |
| B. Securities loaned:  |                                     |   |                    |
| 1. Includable in "Formula for Reserve Requirements" .....                            | 1070                                |   | 1510               |
| 2. Other .....   | 1080                                | 1290                                    | 582,551,216 1520   |
| C. Omnibus accounts:   |                                     |   |                    |
| 1. Includable in "Formula for Reserve Requirements" .....                            | 1090                                |   | 1530               |
| 2. Other .....   | 1095                                | 1300                                    | 1540               |
| D. Clearing organizations:   |                                     |   |                    |
| 1. Includable in "Formula for Reserve Requirements" .....                            | 1100                                |   | 319,767 1550       |
| 2. Other .....   | 1105                                | 1310                                    | 1560               |
| E. Other .....   | 1110                                | 1320                                    | 1570               |
| 20. Payable to customers:  |                                     |   |                    |
| A. Securities accounts -including free credits of .....                              | 1120                                |   | 131,020,015 1580   |
| B. Commodities accounts .....  | 1130                                | 1330                                    | 1590               |
| 21. Payable to non customers:  |                                     |   |                    |
| A. Securities accounts .....   | 1140                                | 1340                                    | 19,309 1600        |
| B. Commodities accounts .....  | 1150                                | 1350                                    | 1610               |
| 22. Securities sold not yet purchased at market value - including arbitrage of ..... | \$ 9,404,396 960                    | 1360                                    | 28,713,359 1620    |
| 23. Accounts payable and accrued liabilities and expenses:                           |                                     |   |                    |
| A. Drafts payable .....  | 1160                                |   | 1630               |
| B. Accounts payable .....  | 1170                                |   | 11,379,182 1640    |
| C. Income taxes payable .....  | 1180                                |   | 461,000 1650       |
| D. Deferred income taxes .....   |                                     | 1370                                    | 1660               |
| E. Accrued expenses and other liabilities .....                                      | 1190                                |   | 18,952,897 1670    |
| F. Other .....   | 1200                                | 1380                                    | 1680               |

OMIT PENNIES

\*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

**BROKER OR DEALER**  
**NATEXIS BLEICHROEDER INC.**

as of 12/31/05

### STATEMENT OF FINANCIAL CONDITION

#### LIABILITIES AND OWNERSHIP EQUITY (continued)

| <u>Liabilities</u>   | <u>A.I.</u><br><u>Liabilities *</u> | <u>Non-A.I.</u><br><u>Liabilities *</u> | <u>Total</u>          |
|--|-------------------------------------|---|-----------------------|
| 24. Notes and mortgages payable:   |                                     |   |                       |
| A. Unsecured .....   | \$ 1210                             |   | \$ 1690               |
| B. Secured .....   | 1211                                | \$ 1390                                 | 1700                  |
| 25. Liabilities subordinated to claims of<br>general creditors:                  |                                     |   |                       |
| A. Cash borrowings .....   |                                     | 1400                                    | 1710                  |
| 1. from outsiders ▼ \$ .....   | 970                                 |   |                       |
| 2. Includes equity subordination (15c3-1 (d))<br>of ..... \$ .....               | 980                                 |   |                       |
| B. Securities borrowings, at market value;<br>from outsiders \$ .....            | 990                                 | 1410                                    | 1720                  |
| C. Pursuant to secured demand note<br>collateral agreements; .....               |                                     | 1420                                    | ▼ 1730                |
| 1. from outsiders \$ .....   | 1000                                |   |                       |
| 2. Includes equity subordination (15c3-1 (d))<br>of ..... \$ .....               | 1010                                |   |                       |
| D. Exchange memberships contributed for<br>use of company at market value .....  |                                     | ▼ 1430                                  | 1740                  |
| E. Accounts and other borrowings not<br>qualified for net capital purposes ..... | 1220                                | 1440                                    | 1750                  |
| 26. TOTAL LIABILITIES .....  | \$ 1230                             | \$ 1450                                 | \$ 5,792,850,455 1760 |

#### Ownership Equity

|   |                       |
|---|-----------------------|
| 27. Sole proprietorship .....                       | \$ 1770               |
| 28. Partnership- limited<br>partners ..... \$ ..... | 1780                  |
| 29. Corporation:                                    |                       |
| A. Preferred stock .....                            | 1791                  |
| B. Common stock .....                               | ▼ 1792                |
| C. Additional paid-in capital .....                 | 151,503,082 1793      |
| D. Retained earnings .....                          | (23,271,147) 1794     |
| E. Total .....                                      | 128,231,936 1795      |
| F. Less capital stock in treasury .....             | ( ) 1796              |
| 30. TOTAL OWNERSHIP EQUITY .....                    | \$ 128,231,936 1800   |
| 31. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....    | \$ 5,921,082,391 1810 |

OMIT PENNIES

\*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

ROKER OR DEALER  
NATEXIS BLEICHROEDER INC.

as of 12/31/05

## COMPUTATION OF NET CAPITAL

|  |    |             |      |
|--|----|-------------|------|
| 1. Total ownership equity (from Statement of Financial Condition - Item 1800)                      | \$ | 128,231,936 | 3480 |
| 2. Deduct: Ownership equity not allowable for net capital  | (  |             | 3490 |
| 3. Total ownership equity qualified for net capital  |    | 128,231,936 | 3500 |
| 4. Add:  |    |             |      |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital |    |             | 3520 |
| B. Other (deductions) or allowable credits (List)  | ▼  |             | 3525 |
| 5. Total capital and allowable subordinated liabilities  | \$ | 128,231,936 | 3530 |
| 6. Deductions and/or charges:  |    |             |      |
| A. Total non-allowable assets from   |    |             |      |
| Statement of Financial Condition (Note B and C)  | \$ | 49,613,389  | 3540 |
| 1. Additional charges for customers' and non-customers' security accounts                          |    |             | 3550 |
| 2. Additional charges for customers' and non-customers' commodity accounts                         |    |             | 3560 |
| B. Aged fail-to-deliver:   |    | 1,088,376   | 3570 |
| 1. Number of items   | ▼  | 141         | 3450 |
| C. Aged short security differences-less  |    |             |      |
| reserve of   | \$ | 3460        | 3580 |
| number of items  |    | 3470        |      |
| D. Secured demand note deficiency  |    |             | 3590 |
| E. Commodity futures contracts and spot commodities - proprietary capital charges                  |    |             | 3600 |
| F. Other deductions and/or charges   |    | 717,961     | 3610 |
| G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)                   |    |             | 3615 |
| H. Total deductions and/or charges   |    | 51,419,726  | 3620 |
| 7. Other additions and/or allowable credits (List)   |    |             | 3630 |
| 8. Net Capital before haircuts on securities positions   | \$ | 76,812,210  | 3640 |
| 9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1 (f) ):                  |    |             |      |
| A. Contractual securities commitments  |    |             | 3660 |
| B. Subordinated securities borrowings  |    |             | 3670 |
| C. Trading and Investment securities:  |    |             |      |
| 1. Bankers' acceptances, certificates of deposit and commercial paper                              | ▼  |             | 3680 |
| 2. U.S. and Canadian government obligations  |    |             | 3690 |
| 3. State and municipal government obligations  |    |             | 3700 |
| 4. Corporate obligations   |    |             | 3710 |
| 5. Stocks and warrants   |    | 6,330,104   | 3720 |
| 6. Options   |    |             | 3730 |
| 7. Arbitrage   |    | 304,747     | 3732 |
| 8. Other securities  | ▼  |             | 3734 |
| D. Undue concentration   |    |             | 3650 |
| E. Other (list)  |    | 3,069,354   | 3736 |
| 0. Net Capital   | \$ | 67,108,005  | 3750 |

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER  
NATEXIS BLEICHROEDER INC.

as of 12/31/05

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

|   |    |      |
|---|----|------|
| 11. Minimum net capital required (6-2/3% of line 19) .....  | \$ | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) ..... | \$ | 3756 |
| 13. Net capital requirement (greater of line 11 or 12) .....  | \$ | 3760 |
| 14. Excess net capital (line 10 less 13) .....  | \$ | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) .....   | \$ | 3780 |

## COMPUTATION OF AGGREGATE INDEBTEDNESS

|  |    |      |
|--|----|------|
| 16. Total A.I. liabilities from Statement of Financial Condition .....   | \$ | 3790 |
| 17. Add:   |    |      |
| A. Drafts for immediate credit .....   | \$ | 3800 |
| B. Market value of securities borrowed for which no equivalent value is paid or credited .....   | \$ | 3810 |
| C. Other unrecorded amounts (List) .....   | \$ | 3820 |
| 18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c) (1) (vii)) .....   | \$ | 3838 |
| 19. Total aggregate indebtedness .....   | \$ | 3840 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....   | %  | 3850 |
| 21. Percentage of Aggregate indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 11) ..... | %  | 3853 |

## COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

|  |    |            |      |
|--|----|------------|------|
| 22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits ..... | \$ | 3,418,008  | 3870 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....  | \$ | 1,500,000  | 3880 |
| 24. Net capital requirement (greater of line 22 or 23) .....   | \$ | 3,418,008  | 3760 |
| 25. Excess net capital (line 10 less 24) .....   | \$ | 63,689,997 | 3910 |
| 26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8) .....  | %  | 39.27      | 3851 |
| 27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less Item 4880 page 11 ÷ by line 17 page 8) .....  | %  | 39.27      | 3854 |
| 28. Net capital in excess of the greater of:   |    |            |      |
| A. 5% of combined aggregate debit items or \$120,000 .....   | \$ | 58,562,986 | 3920 |

## OTHER RATIOS

|  |   |      |
|--|---|------|
| 29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....  | % | 3860 |
| 30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital ..... | % | 3852 |

### NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to Item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**NATEXIS BLEICHROEDER INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 1 ORGANIZATION AND NATURE OF BUSINESS**

Natexis Bleichroeder Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission and is a member of the New York Stock Exchange and various other exchanges and the National Association of Securities Dealers. The Company is a New York Corporation that is a wholly owned subsidiary of Natexis Banques Populaires (the "Parent").

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions and investment banking businesses.

***Securities Transactions***

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all security transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' security transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

***Resale and Repurchase Agreements and Securities Lending Agreements***

Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements or reverse repos) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financing except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

**NATEXIS BLEICHROEDER INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Securities Lending Activities***

Securities borrowed and securities loaned transactions are generally reported as collateralized financing except where letters of credit or other securities are used as collateral. Securities-borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

***Collateral***

The Company continues to report assets it has pledged as collateral in secured borrowing and other arrangements when the secured party cannot sell or repledge the assets or the Company can substitute collateral or otherwise redeem it on short notice. The Company generally does not report assets received as collateral in secured lending and other arrangements because the debtor typically has the right to redeem the collateral on short notice.

***Investment Banking***

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on offering date, sales concessions on trade date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

***Commissions***

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

***Translation of Foreign Currencies***

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange. Gains or losses resulting from foreign currency transactions are included in net income.



NATEXIS BLEICHROEDER INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (continued)

*Income Taxes*

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

*Depreciation*

Depreciation is provided for by accelerated and straight-line methods using estimated useful lives of three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

*Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingencies in the financial statements. Actual results could differ from the estimates included in the financial statements.

NOTE 3      CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

No cash and/or securities has been segregated in a special reserve account for the exclusive benefit of customers at December 31, 2005 under rule 15c3-3 of the Securities and Exchange Commission.

NOTE 4      RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATION

Amounts receivable from and payable to broker-dealers and clearing organization at December 31, 2005, consist of the following:

|   | <u>Receivable</u>    | <u>Payable</u>       |
|---|----------------------|----------------------|
| Deposits for securities borrowed/<br>loaned | \$742,406,520        | \$582,551,216        |
| Securities failed-to-deliver/receive        | 12,345,128           | 9,740,337            |
| Payable to clearing organization            | 0                    | 319,767              |
| Receivable from clearing organization       | 5,479,770            | 0                    |
| Other                                       | <u>7,021,628</u>     | <u>0</u>             |
|   | <u>\$767,253,046</u> | <u>\$592,611,320</u> |

**NATEXIS BLEICHROEDER INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 5      RECEIVABLE FROM AND PAYABLE TO CUSTOMERS**

Accounts receivable from and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the financial statements.

**NOTE 6      RELATED PARTY TRANSACTIONS**

In the normal course of business, the Company has borrowed funds from the Parent. These loans are unsecured and during the period since the Company's acquisition, had rates of interest ranging from 10 to 15 basis points above the federal funds rate. At December 31, 2005, the balance of the loan amounted to \$29,023,900. Interest expense charged by the Parent to the Company for the year amounted to \$4,813,746 and is included in net income.

**NOTE 7      EMPLOYEE BENEFIT PLANS**

The Company has a qualified 401(k) plan for employees. The Company is not required to make any matching or mandatory contribution to the Plan. Contributions are made at the discretion of management.

The Company does not participate in any pension and/or post retirement plans for its employees.

**NOTE 8      FINANCIAL INSTRUMENTS**

***Fair Value of Financial Instruments***

The financial instruments of the Company are reported in the statement of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

***Financial Instruments With Off-Balance-Sheet Risk***

The Company enters into various transactions involving futures, forwards and foreign exchange contracts and other transactions which, in accordance with industry practice, were not recorded on the statement of financial condition. At December 31, 2005, the Company had commitments to enter into future resale and repurchase agreements. At December 31, 2005, the Company had also borrowed securities and pledged securities against those borrowed securities.

Continued

**NATEXIS BLEICHROEDER INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 8      FINANCIAL INSTRUMENTS (continued)**

***Financial Instruments With Off-Balance-Sheet Risk***

In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2005, at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2005.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transaction may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

**NATEXIS BLEICHROEDER INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 8      FINANCIAL INSTRUMENTS (continued)**

***Financial Instruments With Off-Balance-Sheet Risk (continued)***

***Concentrations of Credit Risk***

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

In connection with these activities, particularly in United States Government and Agency securities, the Company enters into collateralized reverse repurchase and repurchase agreements, securities lending arrangements and certain other secured transactions which may result in significant credit exposure in the event the counterparty to the transaction was unable to fulfill their contractual obligations. In accordance with industry practice, repurchase agreements and security borrowing arrangements are generally collateralized by cash or securities with a market value in excess of the Company's obligation under the contract. The Company attempts to minimize credit risk associated with these activities by monitoring customer credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

**NOTE 9      COMMITMENTS AND CONTINGENCIES**

***Leases***

The Company occupies office space under a lease expiring April 29, 2011. The minimum aggregate rent per annum is \$3,235,291 until April 30, 2006, and \$3,545,259 for the remaining term of the lease. The lease contains escalation provisions for increases of real estate tax and operating expenses.

***Litigation***

In the normal course of business, the Company has been named as a defendant in several lawsuits. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management, after consultation with counsel, that the resolution of such suits will not have a material adverse effect on the financial condition of the Company.

**NATEXIS BLEICHROEDER INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**NOTE 10     NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,500,000 or 2 percent of aggregate debit balances arising from customer transactions, as defined. (The net capital rule of the New York Stock Exchange, Inc. also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5 percent of aggregate debits.) At December 31, 2005, the Company had net capital of \$67,108,005, which was 39.27 percent of aggregate debit balances and \$63,689,997 in excess of required net capital.

**NOTE 11     INCOME TAXES**

At December 31, 2005, the Company had net operating loss carryforwards which resulted in deferred federal income taxes refundable of \$11,402,627 and deferred state and city income taxes refundable of \$6,762,321.